

LOTTIVUE RIVERSIDE LANDING CONDOMINIUM

DISCLOSURE STATEMENT

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FOR

LOTTIVUE RIVERSIDE LANDING CONDOMINIUM

Located on: 49471 Jefferson
Chesterfield, Michigan

Developer: Lottie M. Schmidt, Inc.
48400 Jefferson
Chesterfield, Michigan 48047
(586) 949-1490

A residential condominium project located in the Township of Chesterfield, Macomb County, Michigan. The initial phase of the Project consists of 28 Units. The Project may be expanded to include as many as 56 Units. The decision to expand must be made on or before six (6) years after the recording of the Master Deed.

The effective date of this Disclosure Statement is January 21, 2002.

THIS DISCLOSURE STATEMENT IS NOT A SUBSTITUTE FOR THE MASTER DEED OR OTHER LEGAL DOCUMENTS AND ALL BUYERS SHOULD READ ALL DOCUMENTS TO FULLY ACQUAINT THEMSELVES WITH THE PROJECT AND THEIR RIGHTS AND RESPONSIBILITIES RELATED THERETO.

WE RECOMMEND THAT YOU CONSULT WITH AN ATTORNEY OR OTHER ADVISOR PRIOR TO PURCHASING A CONDOMINIUM UNIT.

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DISCLOSURE STATEMENT

LOTTIVUE RIVERSIDE LANDING CONDOMINIUM

I. Introduction

Condominium development in Michigan is governed largely by statute. Prior to July 1, 1978, Condominium development was regulated under Act 229 of the Michigan Public Acts of 1963, and since that date has been governed by Act 59 of the Michigan Public Acts of 1978 as amended (the Condominium Act).

This Disclosure Statement, together with copies of the legal documents required for the creation and operation of the Project, are furnished to each Purchaser pursuant to the requirement of Michigan Law that the Developer of a Condominium Project disclose to prospective purchasers the characteristics of the Condominium Units which are offered for sale.

II. The Condominium Concept

Condominium is a method of dividing and owning real property. A Condominium Unit has the same legal attributes as any other form of real property under Michigan Law and may be sold, mortgaged, or leased, subject only to such restrictions as are contained in the Condominium Documents.

Each Co-owner receives a Deed to his individual Condominium Unit. Each Co-owner owns, in addition to his Unit, an undivided interest in the common facilities "Common Elements" which service the Project. Title to the Common Elements is included as part of, and is inseparable from, title to the individual Condominium Units. Each Co-owner's proportionate share of the Common Elements is determined by the percentage of value assigned to his Unit in the Master Deed described in Section IV of this Disclosure Statement.

All portions of the Project not included within the Units constitute the Common Elements. Limited Common Elements are those Common Elements which are set aside for use by less than all Unit Co-owners. General Common Elements are all Common Elements other than Limited Common Elements.

Except for the year in which an individual Unit is established, real property taxes and assessments are levied individually against each Unit in the Project. The separate taxes and assessments cover the Unit and its proportionate share of the Common Elements. No taxes or assessments are levied independently against the Common Elements. In the year in which any particular Unit is established, the taxes and assessments for the Units covered by the Master Deed are billed to the Developer and are paid by the Co-owners of such Units in proportion to the percentages of value assigned to the Units owned by them.

Although the foregoing is generally accurate as applied to most residential Condominium developments, the details of each development may vary substantially. Accordingly, each

Purchaser is urged to carefully review all of the documents contained in the Lottivue Riverside Landing Condominium Purchaser Information Booklet, as well as any other documents that have been delivered to the Purchaser in connection with this development. Any Purchaser having questions pertaining to the legal aspects of the Project is advised to consult his own lawyer or other professional advisor.

III. Description of the Condominium Project

A. Size, Scope, and Physical Characteristics of the Project. Lottivue Riverside Landing Condominium is a residential condominium consisting initially of 28 Units located in the Township of Chesterfield. Each Unit has direct access to the General Common Elements which are the road and yards around the buildings and the easements to Jefferson Avenue. Units are one or one and a half story, brick veneer fourplex Units with basements and garages.

B. Expansion Area. The Developer may decide to expand the size of Lottivue Riverside Landing Condominium from 28 Units to a maximum of 56 Units. The Developer has the exclusive right to determine whether further expansion will occur and the extent of the expansion, up to 56 Units maximum. The Developer must determine the size of the Project no later than six (6) years after the Master Deed is recorded. If the Project is expanded, the percentages of ownership will be altered proportionately to include the new Units. A Developer also has the right to redefine Common Elements as may be necessary to achieve the purposes of expansion, such as, movement of roadways, sidewalks, parking spaces, landscaping, etc.

C. Hazardous Materials. To the best of the Developer's knowledge, there are no hazardous materials, waste, or toxic substances buried on the Condominium Premises.

IV. Legal Documentation

A. General. Lottivue Riverside Landing Condominium was established as a Condominium Project pursuant to the Master Deed recorded in the Macomb County Records and contained in the Lottivue Riverside Landing Condominium Purchaser Information Booklet. The Master Deed includes the Condominium By-Laws as Exhibit A and the Condominium Subdivision Plan as Exhibit B.

B. Master Deed. The Master Deed contains a definition of terms used within the Condominium Project, the percentage of value assigned to each Unit in the Condominium Project, a general description of the Units and General and Limited Common Elements included in the Project, and a statement regarding the relative responsibilities for maintaining the Common Elements. Article VI of the Master Deed covers the right of the Developer to expand the Condominium. Article VIII of the Master Deed covers operative provisions, Article X defines easements, Article XI reserves in favor of the Developer the right to amend the Condominium Documents to make immaterial changes therein, to provide for the correction of errors, and to comply with the requirements of certain lending institutions.

C. Condominium By-Laws. The Condominium By-Laws contain provisions relating to the operation, management, and fiscal affairs of the Condominium and, in particular, set forth the provisions relating to assessment of Association members for the purposes of paying the

costs of operation of the Condominium Project. Article VI contains certain restrictions upon the ownership and use of the Condominium Project. Article VI also contains provisions permitting the adoption of Rules and Regulations governing the Common Elements. At the present time no Rules and Regulations have been adopted by the Board of Directors of the Association.

D. Condominium Subdivision Plan. The Condominium Subdivision Plan is a three dimensional survey depicting the physical location and boundaries of each of the Units and all of the Common Elements in the Project. The Developer is under no obligation to construct any structure or improvements labeled "need not be built" on the Subdivision Plan.

The Developer is required to construct all structures and improvements labeled "must be built." Costs of these improvements will be paid by the Developer from their own funds and a construction mortgage.

E. Escrow Agreement. The Developer is required by the Act to enter into an Escrow Agreement and place all funds received from the Purchaser with the Escrow Agent. Philip F. Greco Title Co., agent for Chicago Title Insurance Company is the Escrow Agent for this Condominium Project and is bound by the Escrow Agreement to release funds to you or the Developer upon certain terms and conditions more fully enumerated in the Escrow Agreement and Section 103b of the Act. Any interest on the escrowed funds shall go to the Developer. The Developer cannot receive any funds from the sale of a Unit until all that is labeled "must be built" on the Subdivision Plan is substantially completed or there is adequate security on deposit with the Escrow Agent to complete them. After nine (9) months from the closing of the first Unit in that phase, the Escrow Agent, if requested by an interested party, shall give notice to the Developer to complete the improvements labeled "must be built." If he does not do so in three (3) months, the Escrow Agent shall administer completion of the improvements, which may include filing suit for a Circuit Court to decide any disputes between the parties and delivering the escrowed security to the Court.

V. **The Developer and Other Service Organizations**

A. Developer's Background and Experience. Lottie M. Schmidt, Inc. is a Michigan Corporation and was formed in 1936. They have done residential building and development in the Chesterfield Township area. At the present time, the company is operated by Jeffrey A. Niemetta and John A. Niemetta. This is the first Condominium development they have been directly involved with. At the present time, they are also developing the adjoining property as Lottivue Riverside Banks and Lottivue Riverside Woods.

B. Legal Proceedings Involving the Condominium Project or the Developer. The Developer states that there are no pending judicial or administrative proceedings involving the Condominium Project or the Developer or any of its principals.

C. The Real Estate Broker. Coldwell Banker, whose address is 44720 Hayes, Suite 100, Clinton Twp., Michigan 48038, is the Real Estate Broker who will handle all sales in Lottivue Riverside Landing Condominium.

D. The Builder. At the present time it is anticipated that Czech Building Inc. dba Lottie M. Schmidt Building, Inc., will be the Builder for all of the Units in Lottivue Riverside Woods Condominium. It is owned and operated by Jeffrey A. Niemetta and John A. Niemetta who are also the owners and operators of the Developer.

E. Reserved Rights of Developer.

- (1) The Developer has reserved the right, until all of the Units in the Project have been sold, to maintain a sales office, model Units, and reasonable parking for the use of such areas, and access to, from and over the Condominium premises to enable development and sale of the entire Project. The Developer is obligated to restore the areas upon termination of use.
- (2) The Developer has reserved the right to amend the Master Deed without approval from Co-owners and mortgagees for the purpose of correcting errors and for certain other purposes. Any such amendment that would materially alter the rights of a Co-owner or mortgagee may be made only with the approval of 66-2/3% of the Co-owners and first mortgagees. Some provisions of the Master Deed cannot be amended without the Developer's approval.
- (3) The Developer has reserved easements over the Condominium Project to perform certain maintenance, repair, or replacement obligations. The Developer has reserved easements to utilize, tap, tie into, extend and enlarge all utility mains in the Project in connection with the exercise of its rights with respect to the expansion of the Project or the development of separate projects on the expansion land. The Developer has also reserved the right to grant easements for utilities to governmental agencies and public utilities. The Developer has reserved easements over roads and walkways in the Project for the purpose of ingress and egress to and from any land that may be added to the Project, regardless of how such land ultimately may be used.
- (4) The Developer has reserved the right to control the Association Board of Directors until up to four and one half (4-1/2) years after the first sale or the sale of seventy-five percent (75%) of the entire Project.
- (5) No amendment of the Condominium documents may be made by the Co-owners which would adversely affect the rights of the Developer while the Developer is selling Units in the Project.

VI. **Operation and Management of the Condominium Project**

A. The Condominium Association. The responsibility for management and maintenance of the Project is vested in Lottivue Riverside Landing Condominium Association, which has been incorporated as a non-profit Corporation under Michigan Law. The Articles of Incorporation and By-Laws of the Association are contained in the Purchaser Information Booklet and govern the procedural operations of the Association. The Association is governed by its Board of Directors whose initial members are designees of the Developer and who are

empowered to serve pursuant to the provisions of the Condominium By-Laws until the First Annual Meeting of Members of the Association, which must be held on or before four and one-half (4 1/2) years after the first sale or after three-quarters of all Units are sold.

At the First Annual Meeting of Members of the Association the Co-owner members of the Association will elect Directors and the Directors in turn shall elect officers for the Association. The Developer will be entitled to cast votes at any meeting with respect to all Units then remaining titled in its name. The Developer shall have the right to designate a Director as long as it owns and offers for sale ten (10%) percent of the Units that may be created subject to the provisions of the Condominium Act and the Condominium Documents.

B. Percentages of Value. The percentages of value for Lottivue Riverside Landing Condominium initially were computed on the basis of approximate relative size and type of the Units in the Project. The percentage of value assigned to each Unit determines, among other things, the value of each Co-owner's vote, his proportionate share of regular and special Association assessments, and the proceeds of administration of the Project.

C. Project Finances.

- (1) Budget. Article II of the Condominium By-Laws requires the Board of Directors to adopt an annual budget for the operation of the Project. The initial budget was formulated by the Developer and is intended to provide for the normal and reasonably predictable expenses of administration of the Project and to include a reserve for replacement of major structural and other components of the Project in the future. Inasmuch as the budget must necessarily be prepared in advance, it reflects estimates of expenses made by the Developer based in part on bids, in part upon experience in similar projects, and in part upon the estimates of others. To the extent that estimates prove inaccurate during actual operations and to the extent that the goods and services necessary to service the Condominium Project change in cost in the future, the budget and the expenses of the Association also will require revision. The current budget of the Association has been included in this Disclosure Statement.
- (2) Assessments. Each Co-owner of a Unit included within the Project must contribute to the Association to defray expenses of administration. Assessments are based upon the percentages of value assigned to the Units. The Board of Directors may also levy special assessments in accordance with the provisions of Article II, Section 3, of the Condominium By-Laws.
- (3) Foreclosure. The Association has a lien on each Unit to secure payment of assessments. The By-Laws provide that the Association may foreclose its lien the same way mortgages are foreclosed under Michigan law. By purchasing and closing on a Unit, each Co-owner is deemed to have waived notice of any proceedings brought by the Association to foreclose its lien and notice of hearing prior to the sale of that particular Unit.

- (4) Other Possible Liabilities. Pursuant to Section 58 of the Condominium Act, each Co-owner has possible liability as follows:

If the holder of the first mortgage or other purchaser of a Condominium Unit obtains title to that Unit by foreclosing that mortgage, the holder of the first mortgage or other purchaser is not liable for unpaid assessments which are chargeable against that Unit and which had become due prior to foreclosure. These unpaid assessments are common expenses which are collectable from all Unit owners including the holder of the first mortgage who has obtained title to the Unit through foreclosure.

In other words, if a bank forecloses on a mortgage, the bank does not have to pay any unpaid assessments from the Condominium Association on that Unit. Instead, all of the other Co-owners along with that bank divide that assessment equally. Everyone pays a share of the assessment instead of the bank paying the assessment completely.

D. Association Management Contracts. Initially, the Developer has agreed to manage the Project on a no fee basis. This Agreement can be terminated upon thirty (30) days notice by either party.

E. Insurance. The Condominium Documents require that the Association carry fire and extended coverage for vandalism and malicious mischief, liability insurance, and workmen's compensation insurance, if applicable, with respect to all of the Common Elements of the Project. Insurance is carried with Allied Insurance, whose address is 48400 Jefferson, Chesterfield, Michigan 48047, and the agent of which is Lottie Schmidt Insurance Agency. The insurance policies have deductible clauses and, to the extent thereof, losses will be borne by the Association or respective Co-owners. The Board of Directors is responsible for obtaining insurance coverage for the Association. Each Co-owner's pro rata share of the annual Association insurance premiums is included in the monthly assessment. The Association insurance policies are available for inspection during normal working hours. Each Co-owner is responsible for obtaining insurance coverage with respect to the interior and contents of his Unit to the extent indicated in Article IV of the Condominium By-Laws, and for liability for injury within his Unit and upon Limited Common Elements assigned to his Unit. The Association should periodically review all insurance coverage to be assured of its continued adequacy and Co-owners should each do the same with respect to their personal insurance.

The Purchase Agreement provides that the Developer shall furnish to each Purchaser a commitment for title insurance issued by Philip F. Greco Title Co., agent for Chicago Title Insurance Company prior to closing and that the policy shall be provided within a reasonable time after closing. The cost of this policy is to be paid by the Developer. Each Purchaser should review the title insurance commitment prior to closing to make certain that it conforms with the requirements of the Purchase Agreement.

F. Restrictions on Ownership, Occupancy, and Use. Article VI of the Condominium By-Laws sets forth restrictions upon the ownership, occupancy, and use of a Unit in the Condominium Project. It is impossible to paraphrase these restrictions without risking the

omission of some portion that may be of significance to a purchaser. Consequently, each purchaser should examine the restrictions with care to be sure that they do not infringe upon an important intended use. The following is a list of certain of the more significant restrictions:

- (1) Units are to be used for single-family residential purposes;
- (2) No animals, except two (2) dogs or two (2) cats, may be maintained by any Co-owner unless approved by the Association;
- (3) There are substantial limitations on parking.
- (4) There are substantial limitations on physical changes which may be made to the Common Elements, even the Units in the Condominium, and on use to which the Common Elements and Units may be put;
- (5) Reasonable regulations may be adopted by the Board of Directors of the Association concerning the use of Common Elements, without vote of the Co-owners;

None of the restrictions apply to the commercial activities or signs of the Developer and the Developer is also not subject to the restrictions upon the lease of any of the Units owned by him.

VII. Rights and Obligations as Between Developer and Co-owners

A. Before Closing. The respective obligations of the Developer and the Purchaser of a Condominium Unit in the Project prior to closing are set forth in the Purchase Agreement and the Escrow Agreement. Both of those documents should be closely examined by all Purchasers in order to ascertain disposition of earnest money deposits advanced by Purchaser at the time of closing, anticipated closing adjustments, and the obligation of both parties with respect to modifications to the standard Unit and extra installations. **ARBITRATION IS THE SOLE REMEDY FOR DISPUTES PURSUANT TO THE CONDOMINIUM DOCUMENTS.**

B. At Closing. Each Purchaser will receive by Warranty Deed fee simple title to his Unit subject to no liens or encumbrances other than the Condominium Documents and those other easements and restrictions as are specifically set forth in the Condominium Documents and the Title Insurance Commitment.

C. After Closing. Subsequent to the purchase of the Unit, relations between the Developer and the Co-owner are governed by the Master Deed, By-Laws, and the Condominium Act, except to the extent that any contractual provisions of the Purchase Agreement are intended to survive the closing.

D. Warranties. All manufactured items sold with a Unit at Lottivue Riverside Landing Condominium carry those warranties provided by their manufacturers and no other warranties. Lottie M. Schmidt, Inc. warrants the workmanship and materials in the floors, ceilings, walls, and other structural parts of the Units and all of the Common Elements, both

General and Limited, unless covered by other warranties above to be free from defects in workmanship and materials for a period of twelve (12) months from the date of closing to the original Purchaser only. **ARBITRATION IS THE SOLE REMEDY FOR DISPUTES PURSUANT TO THE CONDOMINIUM DOCUMENTS.** Exclusions from coverage would include the following:

- (1) Defects in manufactured goods explained above;
- (2) Damage from ordinary wear and tear;
- (3) Defects characteristic of the material used such as cracks in concrete, caulking, or tile; settlement of Unit; fading and checking of paint; and warping of wood;
- (4) Defects caused by condensation or expansion of or contraction of materials;
- (5) Consequential damages;
- (6) Defects in items or caused by items installed or modified by Co-owner or anyone but Developer;
- (7) Loss due to the elements;
- (8) Loss of trees, plants, or shrubs which were in place at the time of construction;
- (9) Defects in attempts to control sound transmission;
- (10) Time limits on warranties for Common Elements start to run when those Common Elements are conveyed to the first non-developer Co-owner and may or may not be in effect when your particular Unit is purchased.

This Warranty extends only to the first Purchaser of each Unit and is not transferable. It is recommended that you examine the Limited Warranty and review it thoroughly prior to the execution of the Purchase Agreement and the expiration of the withdrawal period. **THERE ARE NO OTHER WARRANTIES ON THIS CONDOMINIUM PROJECT OTHER THAN THOSE DESCRIBED ABOVE.**

VIII. Local Government, Taxes, and Utility Service

A. Local Government. The Project is located in the Township of Chesterfield and the Anchor Bay School District.

B. Real Property Taxes. Taxes upon the Condominium Units were assessed by the Township of Chesterfield, the County of Macomb, and the Anchor Bay School District. Pursuant to Michigan Law, taxes are required to be assessed on the basis of fifty percent (50%) of true cash value. During the year in which the Condominium Master Deed was initially recorded, real property taxes attributable to each Unit constitute an expense of administration to be shared by the Co-owners of such Units in proportion to their respective percentages of

value. In that initial year, the Developer will receive one (1) tax bill with respect to the Condominium Units, which must be paid by the Developer rather than by the individual Co-owners of such Units. The Co-owners and the Developer will contribute to the payment of taxes their proportionate share for such Unit(s) as they own at the time taxes fall due. In subsequent years, each Co-owner will receive an individual tax bill attributable to his Unit only. It is impossible to determine with accuracy the amount of real property taxes which will fall due in subsequent years since those taxes are a function of both real property values and tax rate which may either rise or fall.

C. Building Inspections. Approval of the building plans for the Project was by the Chesterfield Township Building Department.

D. Utilities. Utility services to the Condominium Premises are provided as follows:

- (1) Sewer, water - Chesterfield Township;
- (2) Electricity - Detroit Edison Co.;
- (3) Natural Gas - SEMCO;
- (4) Telephone - Ameritech;
- (5) Cable TV - Cox;
- (6) Refuse Removal - Waste Management, Inc..

IX. Purpose of Disclosure Statement

The Developer has prepared this Disclosure Statement in good faith in reliance upon sources of information believed to be accurate and in an effort to disclose material facts about the Project which it believes satisfy the requirement of the average Purchaser. Each Purchaser is urged to engage a competent lawyer or other advisor in connection with his or her decision to purchase a Unit. In accepting title to the Unit in the Condominium Project, each Purchaser shall be deemed to have waived any claim or right arising out of or relating to any immaterial defect, omission, or misstatement as contained within or omitted from this Disclosure Statement. The terms used herein are defined in the Condominium Act.

The State of Michigan Department of Consumer and Industry Services, Corporation, Securities and Land Development Bureau prepared the Condominium Buyer's Handbook which the Developer has delivered to you. The Developer assumes no obligation, liability, or responsibility as to the statements contained therein or omitted from the Condominium Buyer's Handbook.

The descriptions of the Master Deed and other instruments contained herein are summary only and may or may not completely and adequately express the content of the various Condominium Documents. Each Purchaser is referred to the original Master Deed and other original instruments as contained within the Purchaser Information Booklet. Legal phraseology,

technical terms, and terms of art have been minimized and brevity has been the objective to the extent consistent with the purposes of the Disclosure Statement and rules of the Michigan Department of Commerce. In preparing this Disclosure Statement and other Condominium documents, Developer's counsel has not undertaken professional responsibility to the Condominium Association or to any Co-owners or mortgagee for the completeness, accuracy or validity of the Condominium documents.

X. Proposed Budget

INCOME:

ASSESSMENTS	\$
INITIAL RESERVE	-

TOTAL INCOME	\$
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EXPENSES:

INSURANCE	
WATER, SEWER, & ELECTRIC	
TRASH COLLECTION	
LAWN & SNOW MAINTENANCE	
AUDIT, ACCOUNTING, & LEGAL	
GAS	
MAINTENANCE	
RESERVE FOR REPAIRS	
EXTERMINATOR	
SPRINKLER MAINTENANCE	
SUMP PUMP MAINTENANCE	
MANAGEMENT FEE	-

TOTAL EXPENSES	\$
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RESERVES	\$
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An amount equal to two (2) times the monthly assessment will be collected from the initial owners at closing for the initial reserve. There is no assurance that it will be adequate.

A. In the first year Condominium Units are established, taxes may be assessed on more than one Unit. If that is the case, additional monthly assessments will be due in the amount of one twelfth (1/12) of the tax bill, divided by the number of Units affected.

B. The assessments are good faith estimates but if they prove inadequate to cover expenses, the Board of Directors may have to change the amount of the assessment or levy a special assessment pursuant to the By-Laws.

C. The initial assessment will be set equally for all Units at _____ per month plus any tax bill assessed against the Project as described in paragraph 1 above. Once individual assessments are made and taxes are billed individually, those taxes will be the responsibility of the individual Co-owners.

D. Electricity is for Common Elements and would be in addition to any electric expense for Co-owner use which is metered and billed separately.